



COOK ISLANDS COUNTRY PAPER

Constitutional Relationship

New Zealand and the Cook Islands have a special relationship. It is founded on intimate historical ties, unique constitutional arrangements and a common citizenship and currency. Since 1965 the Cook Islands has been self-governing in free association with New Zealand.

Population

Both the total population of the Cook Islands (17,700 in 2001) and the estimated resident population (13,400 in 2001) have been falling since 1996. The resident population has dropped by 4,671 (26%) from the 18,071 recorded at the 1996 census. Population loss is of growing concern in the Cook Islands.

Political Situation

The Cook Islands has a unicameral parliament with 25 elected members and a parliamentary term of 5 years. The last elections in the Cook Islands were held in June 1999. Following those elections there was a period of government instability. From June 1999 through to January 2003 there were four different governments. The current Government, led by Prime Minister Dr Robert Woonton, has been in place since January 2003 following the reunification of the two factions of the Democratic Party and merger with the New Alliance Party. The ministerial warrants for the Cook Island Party Ministers were revoked. The Government consists of 15 mostly Democratic Party MPs, and with the support of one independent MP has a clear majority. Leader of the Cook Islands Party, Sir Geoffrey Henry, former Deputy Prime Minister and Minister of Finance under the previous coalition Government, is now Leader of the Opposition. The next election is due before September 2004.

Economic Situation

The Cook Islands has done well in realising its comparative advantage in the tourism sector. Tourism, mainly based on Rarotonga, is the main industry and accounts for around 40 percent of GDP. However, the tourist industry has felt the impact of the collapse of the airline Canada 3000, which ran high season charters to Rarotonga, and the post-September 11 downturn in world travel. The recent addition of Aloha Airlines flights is a positive for Cook Islands' tourism. Tourist numbers have continued to increase from a low in June 2002

and are expected to stabilise at between 75,000 and 80,000 per year. The majority of visitors came from New Zealand and Europe. The outlook for tourism is currently positive.

Pearl production is focussed on the northern group atolls of Manihiki and Penrhyn. In 2000, the black pearl industry accounted for around NZ\$18 million of Cook Islands approximately NZ\$20 million exports. However, the industry is facing problems with marketing and selling its products and the value of black pearl exports has fallen to around \$6 million in 2002. The Cook Islands is putting increasing emphasis on expanding its longline fishing capacity targeting tuna and billfish. Many private operators have made large recent investments in buying new vessels, greatly expanding the fishing fleet. Fishing exports have now increased to over 100 tonnes per month. Growth in the fishing industry is expected to continue into the medium term with potentially significant economic gains.

Over the years the Cook Islands has reduced its dependence on foreign aid and remittances. However, the Ministry of Finance and Economic Management's 2003/04 Budget Policy Statement presented a "sober outlook" for the Cook Islands' economy. Real GDP growth for 2000/01 was 5.1%. Projections for 2002/03 were 0.4%, increasing in 2003/04 to 1.0%. Government revenue is expected to remain constant. Further, with no budget surplus to carry forward into 2003/04, government departments faced budget cuts in order to maintain fiscal prudence.

Official Development Assistance

The implementation of the medium-term (2001-2006) strategy for New Zealand Overseas Development Assistance (NZOID) to the Cook Islands was agreed in May 2001. The strategy highlights three areas for NZOID assistance: strengthening governance, improving the delivery of basic social services, and sustainable economic development.

The NZOID programme to the Cook Islands consists of a project support allocation of \$6.2 million. This has been a constant figure since budget support to the Cook Islands ended in 1997. New Zealand is the largest bilateral donor to the Cook Islands, giving NZOID a high profile. In 2002/2003 the NZOID programme represented approximately 62% of total bilateral aid to the Cook Islands. For 2002/2003 outer islands development (21%), education (21%) and human resource development (22%) are core areas of NZOID involvement.

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